

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Danvers Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: November 21, 2016

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY17 (since the amount under the prior schedule was maintained in FY17) and is acceptable under Chapter 32.

Although we are approving this schedule, for the past several years we have recommended that systems adopt funding schedules to be fully funded by FY35. This provides more flexibility in the event of a market downturn. Although the revised schedule funds aggressively through FY23, the amortization of the unfunded actuarial liability is not completed until FY36. By adjusting the schedule slightly in FY23 and beyond, a FY35 schedule could be determined.

The schedule reflects a reduction in the investment return assumption from 8.0% to 7.75%.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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DANVERS CONTRIBUTORY RETIREMENT SYSTEM
FUNDING SCHEDULE - 10 years for electric, similar increase to rest of system

Fiscal Year	Electric Department						All Other Units						Whole System	
	Normal Cost	Unfunded Liability**	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution**	Increase over Prior Year	Normal Cost	Unfunded Liability**	Funding Amortization of UAAL*	Net 3(8)(c) Payments	Schedule Contribution	Increase over Prior Year	TOTAL CONTRIBUTION	Increase over Prior Year
2018	314,309	5,003,606	558,708	49,178	922,195	8.00%	959,607	73,356,535	4,530,731	348,199	5,838,536	8.00%	6,760,731	8.00%
2019	327,667	4,789,377	619,126	49,178	995,970	8.00%	1,000,390	74,159,804	4,957,030	348,199	6,305,619	8.00%	7,301,589	8.00%
2020	341,593	4,635,790	684,877	49,178	1,075,648	8.00%	1,042,907	75,577,457	5,418,963	348,199	6,810,069	8.00%	7,885,716	8.00%
2021	356,111	4,257,109	756,412	49,178	1,161,700	8.00%	1,087,230	75,595,777	5,919,445	348,199	7,354,874	8.00%	8,516,574	8.00%
2022	371,245	4,301,702	834,213	49,178	1,254,636	8.00%	1,133,438	78,840,191	6,461,628	348,199	7,943,264	8.00%	9,197,900	8.00%
2023	387,023	3,736,219	901,897	49,178	1,338,098	6.65%	1,181,609	77,987,902	6,941,866	348,199	8,471,674	6.65%	9,809,771	6.65%
2024	403,472	3,053,982	937,239	49,178	1,389,888	3.87%	1,231,827	76,552,103	7,219,541	348,199	8,799,567	3.87%	10,189,455	3.87%
2025	420,619	2,280,791	973,974	49,178	1,443,770	3.88%	1,284,180	74,705,836	7,508,322	348,199	9,140,701	3.88%	10,584,471	3.88%
2026	438,496	1,408,096	1,012,155	49,178	1,499,828	3.88%	1,338,757	72,405,321	7,808,655	348,199	9,495,611	3.88%	10,995,440	3.88%
2027	457,132	426,626	426,626	49,178	932,935	-37.80%	1,395,655	69,602,907	8,121,001	348,199	9,864,855	3.89%	10,797,790	-1.80%
2028	476,560	-	-	49,178	525,737	-43.65%	1,454,970	66,246,754	8,445,842	348,199	10,249,010	3.89%	10,774,748	-0.21%
2029	496,814	-	-	49,178	545,991	3.85%	1,516,806	62,280,483	8,783,675	348,199	10,648,680	3.90%	11,194,671	3.90%
2030	517,928	-	-	49,178	567,106	3.87%	1,581,271	57,642,810	9,135,022	348,199	11,064,491	3.90%	11,631,597	3.90%
2031	539,940	-	-	49,178	589,118	3.88%	1,648,475	52,267,142	9,500,423	348,199	11,497,096	3.91%	12,086,214	3.91%
2032	562,888	-	-	49,178	612,065	3.90%	1,718,535	46,081,139	9,880,440	348,199	11,947,173	3.91%	12,559,238	3.91%
2033	586,810	-	-	49,178	635,988	3.91%	1,791,572	39,006,253	10,275,658	348,199	12,415,429	3.92%	13,051,417	3.92%
2034	611,750	-	-	49,178	660,927	3.92%	1,867,714	30,957,217	10,686,684	348,199	12,902,597	3.92%	13,563,524	3.92%
2035	637,749	-	-	49,178	686,927	3.93%	1,947,092	21,841,499	11,114,151	348,199	13,409,442	3.93%	14,096,369	3.93%
2036	664,854	-	-	49,178	714,031	3.95%	2,029,843	11,558,717	11,558,717	348,199	13,936,759	3.93%	14,650,790	3.93%
2037	693,110	-	-	49,178	742,287	3.96%	2,116,112	-	-	348,199	2,464,310	-82.32%	3,206,598	-78.11%

Notes on Amortization of Unfunded Liability

Year is the year the amortization base was established. Type is the reason for the creation of the base. Original Amortization Amount is the annual amortization amount when the base was established.

Percentage Increasing is the percentage that the Original Amortization Amount increases per year. Original # of Years is the number of years over which the base is being amortized.

Current Amortization Amount is the amortization payment amount for this year. Years Remaining is the number of years left to amortize the base.

* For "All Other Units", Amortization is set to be the amount resulting in an 8.00% increase over the prior year's contribution, followed by four additional years of 8.00% increases.
The amortization in Fiscal Year 2023 is set so that the unfunded liability in FY 2024 will be amortized by thirteen years of 4.00% amortization increases.

** Includes recognition of the asset gains/(losses) shown below, 12.34% being allocated to the Electric Department, and the remainder being allocated to the rest of the System:
FY 2020 : (\$1,153,812)
FY 2022 : (\$4,293,643)